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MEMORIAL

OF THE

CHAMBER OF COMMERCE

OF THE CITY OF NEW-YORK,

FOR A NATIONAL BANK.

MAY, 1841.

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MEMORIAL

OF THE

Chamber of Commerce of the City of New-York.

To the Senate and House of Representatives

of the United States, in Congress assembled:

In approaching the constituted authorities of our country with a petition on a subject so deeply interesting to every portion of the Union as that of the restoration of a National Currency, it may probably be expected of this Chamber, at least it may well be permitted, to allude to the causes which, in its opinion, have mainly contributed to produce the present general derangement of the currency, as well as to the results that have followed a departure from the system, and the principles which experience so long had sanctioned: giving rise to the adoption of experiments and expedients that have not only disappointed the expectations of their authors, but have produced consequences which this Chamber, in common with a great portion of the Union, has never ceased to deplore.

It is not the intention of the Chamber to enter upon the discussion of measures the character and importance of which may have been derived from the influence of mere party politics; nor will allusion be made to them except where an oc-

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casional reference may be necessary to elucidate facts, or establish principles. At the same time, this Chamber cannot refrain, on the present occasion, from expressing its regret at the unnecessary suffering that has been inflicted upon the mercantile community, as well as upon every interest that requires the agency or shares in the prosperity of Commerce, by permitting so momentous a subject as the regulation of the currency of the nation, to be subjected to the influence of party considerations; and suffering a question, in the settlement of which all the States in the Union, and all classes of politicians, have equal interests and common rights, to be placed at the mercy, and compelled to abide the issue, of the strife and struggle of contending parties.

When the idea of the inexpediency and unconstitutionality of a Bank of the United States was put forth, and its advantages denied, from the highest official station, in December 1829, it was foreseen and predicted, by a large portion of the commercial community, that severe inconvenience and enduring difficulties were but too certain to attend and follow an attack which, if successfully persisted in, was destined to break up our credit and financial system. It seemed evident that an attempt was to be made to dispense with the services of a national bank, and that, regardless of the sacrifice, the nation would be compelled to submit to the trial. This was the first in the series of experiments; those which followed, were but consequences of this error.

It appeared to have been determined that the benefits and advantages which a Bank of the United States had conferred upon the country for thirty years, should be disregarded as useless, and the experience of the past rejected as valueless. The establishment of the first United States Bank introduced order out of chaos, and laid the foundation of a financial system that revived credit, infused confidence, and advanced public prosperity; and, during the twenty

years of its existence, the same beneficial results were experienced from its successful operation; and for ten years previous to that change in our system, which dispensed with the services of a national regulator, the currency and credit system of the United States might have challenged a comparison with that of any other country in the world. But this flourishing condition of the country and its finances, prosperous as it was almost beyond former example, was hazarded upon the issue of an useless and a fearful experiment. The numberless local banks of the respective States were not only appointed the fiscal agents of Government, and entrusted with the receipt and disbursement of the national treasures, but they were constituted alike the creators and conservators of the national currency.

This Chamber is unwilling now to recur to the details of the ruinous career of these institutions, or to the sad consequences of this fatal experiment. Time alone can efface the traces they have left in the altered condition of the country; nor is any effort deemed necessary to show the utter inefficiency, as a permanent system, of the other expedient proposed for regulating the finances and currency of the country. The strong and decided expression of public opinion upon the Sub-Treasury system, so lately and unequivocally manifested, renders it unnecessary for this Chamber to enter upon the discussion of a measure that has been condemned by the voice of the people.

But if, after all that has been suffered and endured, still stronger evidence were required to prove the entire inefficiency of State institutions as conservators of the currency, under any possible circumstances; and to show, at the same time, the complete contrast between a bank really national, *in fact*, and one emanating from State authority, although having *the name* of United States Bank, it is to be found in the example of the large State Bank of Pennsylvania.

The public moneys were withdrawn from the custody of the late United States Bank in October 1833. The bill passed by Congress for renewing the charter having already been returned with the veto of the Executive, and as the charter expired in 1836, all hope of renewal became utterly extinct. We are accordingly informed by the late report of a Committee of Stockholders of the present State Bank of the same name, when giving the history of its proceedings, that when it was perceived that the charter of the late institution would not be renewed, the Directors, at that time, commenced winding up its concerns. The situation of the bank, therefore, in November 1834, when an official statement was published, was in all respects such as was to have been expected in a national institution. With a circulation of sixteen millions, it had sixteen millions in specie in its vaults wherewith to redeem it, and it had also a surplus beyond its capital of nearly eight millions of dollars; but here terminated the existence of the United States Bank. In proof of this, we are further informed by the report of the above Committee of Stockholders, that on the 6th March, 1835, only four months afterwards, a report was submitted to the Board of Directors, with a general view of the situation of the bank, showing its ample resources and power of expansion. Whereupon a committee, consisting of three directors, was authorised by the Board to make loans upon any and every approved security. The policy of pursuing a course of expansion commensurate with the ability of the bank, was founded upon the hope and expectation of obtaining a charter from the State of Pennsylvania; which hope was realised in January following. The United States Bank, so called, was therefore, from March 1835, to all intents and purposes, a mere State institution. It could now, of right, have no other objects but such as were local and sectional: it must endeavor to make money for its stock-

holders, and fulfil its obligations to the State in return for its chartered privileges. It possessed indeed the same capital, continued under the same management, and had assumed the same name as its predecessor. But it was deficient in every essential attribute of power for national use and benefit. It was no longer entrusted with the custody of the public funds: its national charter and its national character were gone: it had no object in common with national wants, no duties to perform connected with national interests: it was under no necessity to make any sacrifice for general security: it had no reputation to maintain as the regulator of the general currency,—for, in its present subordinate capacity, it was amenable neither to national authority nor to public opinion. The circulation which it was supposed to inherit, was returned rapidly for redemption; although its name, in too many instances, and for too many purposes, bearing as it did the stamp of national authority, still operated as a delusion both at home and abroad; and whether we consider the effect of its own conduct, or that of its example on its associate State banks throughout the Union, in the general career of expansion, the stimulus thus given to the system of inflation, and the consequent injury inflicted on the character of our currency, were great in proportion to the extent of its capital and the influence of its previous reputation. But the detailed accounts of its management as a State institution, and of its present condition, have been laid before the public, and its history is now a matter of record.

We have indeed only to recur to the present situation of but too many States of the Union, as regards both their credit and the currency, to become assured that no well-grounded hope can be entertained of their ability to restore the character and value of the issues of their local banks without a rallying point in public confidence through the agency of a national institution, allied in character and efficiency to that

which has before, and under nearly similar circumstances, restored a depreciated currency to the specie standard of value, and maintained it ever after. Nothing remains for us, then, in the opinion of this Chamber, but to endeavor to retrace our steps from the pathways of error into which we have been betrayed, and once more regain the broad road that lies clear and plain before us, with the light of experience to guide our way and direct our course. After the admitted failure of one experiment by its authors, and the condemnation of the other by the people, there is nothing left for the country but the establishment of a National Bank.

In reorganising such an institution, the Chamber is of opinion that experiments of all kinds should be studiously avoided: at the same time, while experience dictates the absolute necessity of a conservator and regulator of the currency, the same unerring guide would indicate the equally strong necessity of establishing all such checks and safeguards as Congress in its wisdom may be enabled to interpose; among the most important of which the Chamber would respectfully suggest the expediency of

Defining the character and circumscribing the extent of its loans;

Subjecting its affairs to the frequent investigation and supervision of Congress;

Requiring a due proportion of its issues to be always represented by specie on hand;

Limiting its dividends to 7 per cent., any surplus that may be created, after reserving a sufficient contingent fund for the security of its stockholders, to be placed at the disposal of Congress.

And it should be required to publish full and frequent accounts of the state of its affairs, including that of all its branches, in order that the public at large, for whose benefit it was created, and who in their turn will feel a pride in

lending it their support, may not only form some opinion of the propriety of its measures and the integrity of its management, but be enabled also to judge of the nature of its loans as well as the security of its position.

But, it is said, the efficiency and strength of the State banks are greater now than when the late United States Bank was established; and that they have become so numerous, that the advantages of a National Bank would not be so important, nor could its influence any longer become paramount. If, however, we were to compare the number of State banks that existed in 1836 with those that survived the crisis of 1837, the estimate of the sound capital remaining would be comparatively small indeed, nor, when instituting the comparison, should we be unmindful of the increased business and augmented population of the Union, and of the varied and extended interests that have since sprung up and spread over the face of the country, requiring protection and security against the evils of a disordered currency.

It is also thought by some, whose opinions are otherwise entitled to respect, that, in the present disordered condition of State credit and currency, a Bank of the United States would hardly be able to regulate and control the exchanges of the country. A large portion of the capital of State banks has been lost beyond the hope of recovery, and a very large amount must remain completely unavailable until the re-establishment of general confidence and of a sound currency. The State banks did indeed deal in exchanges for their own benefit, but never attempted to regulate them for the public good; for their advantage consisted not in equalizing the rates, but in producing irregularity—they would purchase and sell no longer than it was profitable for them to do so, and would leave the wants of trade in this respect unprovided for unless their own interests were promoted.

For nearly a year before the crisis of 1837, while specie abounded and State bank issues were redeemable in coin, the exchanges of the country were in utter confusion and irregularity, and bills on the distant cities of the Union were negotiated only at ruinous sacrifices.

A National Bank, as soon as a sufficient capital had been provided, would commence at once the regulation of the internal exchanges. It would begin by giving its own notes, which would be required for circulation, in return for bills drawn agaisnt the produce of the country on its way to a foreign market, and this could be done to some extent in spite of local depreciation, and would be the first step towards restoring the currency: exchanges would then gradually tend towards equalization, for the local banks, feeling the necessity of raising the value of their issues for their own interest, would then aid in the accomplishment of the object of the National Regulator.

When the late United States Bank was established in 1816, commencing operations, as it did, prematurely and without sufficient strength, under unfavorable circumstances also as regards the state of trade, and the existence of a large foreign debt, arising from excessive importations, it found the general credit and currency alike inflated and depreciated. Yet, in spite of these adverse circumstances, the return to specie payments on the part of the greater portion of the local banks followed its establishment, and notwithstanding the errors into which it was betrayed, and the faults it committed at the commencement of its career, together with the difficulties it had to contend with during some years of its progress, it maintained the specie standard of value from the commencement to the close of its existence.

The currency of all the local banks in the States South and West of New York is now depreciated in a greater or

less degree; but the depreciation, although equally general, is by no means so great as when the late bank was established. The issues of many of the banks are on a moderate scale, and some of them are in a sound position, while prices generally are low, and foreign exchanges favorable: every thing accordingly conspires to render the present period peculiarly favorable for a National Bank to lay the foundation of its future usefulness. Such of the State institutions as are without means or credit, and have lost all title to the name of banks, would cease to exist as issuers of money as soon as a national currency was introduced, although all their securities that possessed any intrinsic value, would then become available to their creditors: while such banks as had made preparations, and placed themselves in a situation to fulfil their obligations, but thought they were unable to take the final step, without a power to regulate others and protect them, would immediately rally around the standard, and resume under the ægis of a National Protector.

All sound and well conducted State banks would derive essential assistance from the support afforded by a national institution; and if their own operations should become more circumscribed, in some respects, they would become less exposed in others, and would thus derive an advantage from diminished responsibility in being confined within a more legitimate as well as appropriate sphere of action: while they, in their turn, would form useful auxiliaries to a national regulator, and constitute an integral part of a sound and efficient system of national currency, which their own respective State Governments have neither the power to create nor the means to control.

Again, it is said, that confidence is slowly returning, and commercial affairs gradually reviving; and that accordingly, New York, with a sound currency, may well

rest content with the favorable appearances of the present, and wait with confidence for the opening prospects of the future. Whether we are indebted to the soundness of our banking institutions, to the readiness manifested by our citizens to submit to privations, or to the efficacy of our laws,—New York has reason to congratulate herself that she was able to resume the payments of specie within the short space of one year after the sweeping revulsion of 1837, and to maintain the integrity of her position during the second financial crisis of 1839; and if influenced only by local considerations, or sectional interests, it is possible she might continue to derive some trifling advantage from her more favorable position, compared with a large portion of the Union, whose depreciated currency, becoming tributary to her specie standard, might enable her to reap the fruit of previous sacrifices. But if this were true in its fullest extent, as applied to New York, it would be equally applicable to New England; and if so, we trust that both would be influenced by higher motives and guided by nobler aims. Placed in the centre of the financial and commercial exchanges of the Union, New York at least would be willing to share, not only the advantages of her situation, but any other privileges she may possess, with the rest of the Union; and, if for no other reason, because by the advancement of their prosperity she must be benefitted in her turn; and in no other way, in the opinion of this Chamber, can each section of the Union derive the same mutual advantage, or become so completely identified in interest and in feeling, as when sharing in the equal and common blessings of an uniform National Currency.

But if, as is sometimes supposed, it were possible for the South and South-West, of their own accord, to follow the example of New York, and restore the value of their currency, how much longer must the industry of the country

remain paralyzed, and its prosperity be retarded, before this restoration can take place.

But supposing this expectation to be realized, the Chamber would inquire, with an earnest desire that the question could be satisfactorily answered, what is there to prevent the State banks from again pursuing their former career? What protection can be afforded against the evils of a depreciated and inflated currency? What security provided, that the contract entered into today, will be discharged in a currency of the same value at maturity? Must we not, on the contrary, sooner or later witness the recurrence of the same scenes through which we have so lately passed,—for what means shall we possess to prevent the return of bank issues without responsibility, of confidence without limit, of ascending prices without foundation, and of a national currency without a standard of value?

The Chamber accordingly deems it essential for the public interest, and the public security, that the responsibility of regulating the general currency and preserving the specie standard of value, should again be assumed by the Federal Administration; and under the guardianship and guidance of the national councils, again be entrusted to the care and management of a national institution, upon which sufficient power and authority should be conferred, to enable it to discharge with efficiency and effect, the onerous and important duties it will be called on to perform. The leading and essential objects of its creation, will be to assure to the Treasury Department the safe and economical receipt, custody, and distribution of the public funds; to give to the nation an uniform standard of value,—and to the people, for circulation, a currency equivalent to specie in every part of the Union; to furnish to agriculture, commerce, and manufactures, a medium of exchange by which those great interests may be spared the evils and losses of continued fluctuation, or permanent

depreciation. And by thus imparting confidence and affording security to every department of trade, we may furnish to industry and enterprise the best stimulus to exertion, while we secure to labor its just reward.

The Chamber, therefore, begs leave respectfully to entreat of the National Legislature to interpose its authority, and again secure to the Union, by the establishment of a National Bank, the restoration of a national currency.

New-York, 22d May, 1841.

ISAAC CAROW,
President of the Chamber of Commerce of the City of New York.

JNO. D. VAN BEUREN,
Secretary.

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